

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 EB-07 COME-00 OPIC-03 AID-05 CIAE-00

INR-07 NSAE-00 L-03 OMB-01 TRSE-00 /035 W

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FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC 2481

INFO AMEMBASSY MONROVIA

C O N F I D E N T I A L CONAKRY 2243

E.O. 11652: GDS

TAGS: EMIN ECON EINV GV

SUBJECT: MIFERGUI-NIMBA IRON ORE PROJECT

REF: (A) CONAKRY 2196, (B) CONAKRY 2178

1. MIFERGUI-NIMBA BOARD MEETING NOVEMBER 8 WAS HIGHLIGHTED BY FORMAL SIGNING BY ISMAEL TOURE AND LIBERIAN MINFINANCE PHILLIPS OF BILATERAL AGREEMENT IN PRINCIPLE ON USE OF LAMCO RR AND BUCHANAN PORT. SIMILAR AGREEMENT WAS SIGNED LAST YEAR BETWEEN GOG AND LAMCO ITSELF, BUT THERE IS STILL NO DECISION OR EVEN SERIOUS NEGOTIATION OF THE CRUCIAL FREIGHT RATE QUESTION.

2. HERTZEL CASH, DIRECTOR INDUSTRIAL DIVISION IBRD, MET WITH ISMAEL TOURE AND MIFERGUI-NIMBA EXECUTIVES NOV. 9. CASH COMMUNICATED BANK POSITION THAT MIFERGUI-NIMBA COULD NOT BE REGARDED AS VIABLE AND COULD NOT ATTRACT FINANCING UNTIL A MAJOR INTERNATIONAL IRON AND STEEL CORPORATION JOINED TO ASSURE NECESSARY ENGINEERING TECHNOLOGY, MANAGEMENT AND MARKETING EXPERIENCE. CASH SAID HE BELIEVED SUCH COMPANY MUST BE LARGEST SINGLE SHAREHOLDER (OTHER THAN GOG) AND THAT EXISTING SHAREHOLDERS WOULD HAVE TO REDUCE THEIR INTEREST ACCORDINGLY. IBRD HAS AGREED DISCREETLY TO SOUND OUT PROSPECTIVE INVESTORS SUCH AS US STEEL, MITSUBISHI, BETHLEHEM AND FINSIDER. HE FEELS THAT FIRMS WHICH EARLIER DROPPED OUT OF MIFERGUI-NIMBA (E.G. U.S. STEEL) MIGHT BE WILLING RECONSIDER
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SINCE PROJECT NO LONGER LINKED TO IMPRACTICAL TRANSGUINEAN

RAILROAD AND SINCE COMPETING MAJOR PROJECT IN BRAZIL WAS HAVING DIFFICULTIES, EMBASSY TOLD IBRD REPS THAT AF/W WOULD APPRECIATE BEING KEPT ADVISED OF DEVELOPMENTS.

3. ACCORDING IBRD OBSERVES, CONTRACT FOR ENGINEERING FEASIBILITY STUDY WILL BE AWARDED IN A FEW DAYS AND MAY, SURPRISINGLY ENOUGH, TO KAISER ENGINEERS. FRENCH AND SPANISH BIDDERS ARE NOT DEEMED SUFFICIENTLY EXPERIENCED TECHNICALLY, AND SWEDISH LKAB, ALTHOUGH THE BEST PROPOSAL FROM ENGINEERING STANDPOINT, IS BY FAR MOST EXPENSIVE AND LKAB IS REGARDED AS POLITICALLY QUESTIONABLE DUE ITS CONNECTIONS WITH LAMCO. ALTHOUGH KAISER ENGINEERS' BID LACKS PRECISION AND WILL NEED SOME FLESHING OUT, IT THUS EMERGES AS MOST LIKELY OF SUCCESS.

4. IBRD REPS IMPRESSED UPON GOG THAT AWARD OF ENGINEERING CONTRACT TO KAISER ENGINEERS IN NO WAY COMMITTED KAISER STEEL OR OTHER MEMBERS OF KAISER GROUP. IBRD REPS SEEM TO FEEL THAT KAISER GROUP WILL NOT REALLY BE INTERESTED IN EQUITY PARTICIPATION SINCE THEY HAVE NO EAST COAST STEEL MILL AND DO NOT NEED THE ORE. IN FACT, IBRD REPS IMPLIED THEY THOUGHT KAISER INTEREST WAS ESSENTIALLY LIMITED TO ENGINEERING CONTRACT ALL ALONG. (PLEASE PROTECT CANDID IBRD COMMENTS.)
HARROP

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